

STATE OF LOUISIANA

DEPARTMENT OF ENVIRONMENTAL QUALITY

IN THE MATTER OF:

COMSTOCK OIL & GAS-LOUISIANA, LLC

AI # 168323, 169045, 170326, 170327, 179391,
180301, 180304, 180452, 180454, 180456,
180462, 180539, 181295

PROCEEDINGS UNDER THE LOUISIANA
ENVIRONMENTAL QUALITY ACT
LA. R.S. 30:2001, ET SEQ.

* Settlement Tracking No.
* SA-AE-14-0011
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* Enforcement Tracking No.
* AE-PP-10-00988
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SETTLEMENT

The following Settlement is hereby agreed to between Comstock Oil & Gas-Louisiana, LLC (“Respondent”) and the Department of Environmental Quality (“DEQ” or “the Department”), under authority granted by the Louisiana Environmental Quality Act, La. R.S. 30:2001, et seq. (“the Act”).

I

Respondent is a Limited Liability Company that owns and/or operates multiple oil and natural gas facilities located in Desoto, Caldwell, Claiborne, Lincoln and Ouachita Parishes, Louisiana (“the Facilities”).

II

On March 11, 2013, the Department issued to Respondent a Notice of Potential Penalty, Enforcement No. **AE-PP-10-00988**, which was based upon the following findings of fact:

On or about February 3, 2013, a file review of multiple oil and natural gas facilities (the Facilities), owned and/or operated by Comstock Oil & Gas-Louisiana, LLC (Respondent), was performed to determine the degree of compliance with the Louisiana Environmental Quality Act (the

Act) and the Air Quality Regulations. The facilities operate under either a Standard Oil and Gas Air (SOGA) Permit, a Small Source Air Permit, or a Minor Source General Oil and Gas Air (MSOG) Permit. The facility name, Agency Interest Number (AI#), location, and current Air Permit number are shown in Table A:

TABLE A

AI#	Facility	Parish	Current Permit Number	Permit Issue Date
168323	Woodspring Unit Facility	De Soto	SOGA 0760-01197-00AA	7/1/2010
169045	Crochet Unit Facility	De Soto	SOGA 0760-01223-00	3/16/2010
170326	Harrison #7-Alt	De Soto	MSOG 0760-01260-00	8/10/2012
170327	Caraway Compressor	De Soto	Minor Source 0760-01261-01	10/17/2012
179391	Devon-Donner 30 #1	Caldwell	MSOG 0540-00037-00	1/12/2012
180301	Neil Horn No. 1	De Soto	MSOG 0760-01647-00	5/14/2012
180304	Strong Common Point	De Soto	MSOG 0760-01648-00	3/15/2012
180452	Joe Knighton Est.	Caldwell	MSOG 0540-00038-00	5/24/2012
180454	Fults Common Point	De Soto	MSOG 0760-01655-00	6/4/2012
180456	Gilbert No. 1-Alt	Claiborne	MSOG 0620-00401-00	5/24/2012
180462	James D Holmes #1D	De Soto	MSOG 0760-01656-00	3/13/2012
180539	Hedgepeth #1	Lincoln	MSOG 1720-00373-00	3/7/2012
181295	McEacharn No. 1	Ouachita	MSOG 2160-00169-00	6/29/2012

While the investigation by the Louisiana Department of Environmental Quality (the Department) is not yet complete, the following violations were noted during the course of the file review:

- A. In electronic correspondence dated May 3, 2012, the Respondent provided the startup dates for multiple facilities. The Respondent failed to submit an air permit application prior to constructing each facility. The period of time, in years (yrs) and months (mos.), that each permit application was submitted late, is shown in Table B:

TABLE B

AI#	Permit Number	Startup Date	Initial Permit Application date	Period Late
170326	0760-01260-00	1/10/10	4/18/2010	3 mos.
170327	0760-01261-00	2/1/2010	3/16/2010	1.5 mos.
179391	0540-00037-00	9/22/2011	11/14//2011	1.5 mos.
180301	0760-01647-00	1/15/2009	12/22/2011	2 yrs, 11 mos.
180304	0760-01648-00	2/4/2010	12/23/2011	1 yrs, 11 mo.
180452	0540-00038-00	6/12/2007	1/17/2012	4 yrs, 7 mos.
180454	0760-01655-00	6/25/2009	1/12/2012	2 yrs, 6 mos.
180456	0620-00401-00	6/20/2007	1/23/12	4 yrs, 7 mos.
180462	0760-01656-00	12/24/2008	2/3/2012	3 yrs, 1 mo.
180539	1720-00373-00	10/15/2010	1/25/2012	1 yr, 4 mos.

Each failure to submit a permit application prior to construction of a facility which ultimately may result in an initiation or increase in emission of air contaminants is a violation of LAC 33:III.501.C.1, and R.S. 30:2057(A)(2).

- B. In electronic correspondence dated May 3, 2012, the Respondent provided the startup dates for multiple facilities. The startup dates and initial permit issue dates for those facilities are shown in Table C:

TABLE C

AI#	Permit Number	Startup Date	Initial Permit Issue date	Period Operated without a Permit
170326	0760-01260-00	1/10/2010	6/7/2010	5 mos.
170327	0760-01261-00	2/1/2010	6/7/2010	4 mos.
179391	0540-00037-00	9/22/11	1/12/2012	4 mos.
180301	0760-01647-00	1/15/09	5/14/2012	3 yrs, 4 mos.
180304	0760-01648-00	2/4/10	3/15/2012	2 yrs, 1 mo.
180452	0540-00038-00	6/12/07	5/24/2012	4 yrs, 11 mos.
180454	0760-01655-00	6/25/09	6/4/2012	2 yrs, 11 mos.
180456	0620-00401-00	6/20/07	5/24/2012	4 yrs, 11 mos.
180462	0760-01656-00	12/24/08	3/13/2012	3 yrs, 3 mos.
180539	1720-00373-00	10/15/10	3/7/2012	1 yr, 5 mos.
181295	2160-00169-00	1/20/12	6/29/2012	5 mos.

The operation of each facility, without a valid permit, which will, or ultimately may, result in emission of air contaminants is a violation of LAC 33:III.501.C.2, La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

- C. In correspondence dated January 23, 2012, the Respondent submitted Notification of Change of Ownership/Operator or Name Change (NOC-1) forms for the August 1, 2011 ownership transfer of two facilities as shown in Table D:

TABLE D

AI#	Facility	Purchase Date	Date NOC-1 Submitted	Purchase to Submittal, days
168323	Woodspring Unit Facility	8/1/2011	1/23/2012	191
169045	Crochet Unit Facility			

Each failure to submit the NOC-1 within 45 days of the transfer is a violation of General Condition XVI, LAC 33:III.517.G, LAC 33:III.501.C.4, and La. R.S. 30:2057(A)(2).

- D. In correspondence dated February 14, 2012, the Department made effective the permit transfers of two facilities as shown in Table E:

TABLE E

AI#	Facility	Purchase Date	Permit Transfer Effective Date	Days operated without a permit
168323	Woodspring Unit Facility	8/1/2011	12/30/2011	122
169045	Crochet Unit Facility			

Each operation of any facility, without a valid air permit, which will, or ultimately may, result in emission of air contaminants is a violation of LAC 33:III.501.C.2, La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

- E. In correspondence dated as shown, the Respondent submitted a permit application to modify Air Permit No. 0760-01261-00 for the Caraway Compressor Station, AI# 170327, to incorporate a new compressor engine. In electronic correspondence dated December 4, 2012, the Respondent provided the startup date of the engine as shown in Table F:

TABLE F

ID	Emission Source	Startup Date	Permit Modification Application Date
EQT 0011	12-12-ICE-ES	7/18/2012	7/27/2012

The failure to submit a permit modification prior to beginning operation of any emission source which will, or ultimately may, result in emission of air contaminants is a violation of LAC 33:III.501.C.4, and 30:2057(A)(2).

- F. The Respondent submitted separate applications to modify Air Permit No. 0760-01261-00 to incorporate two new compressor engines. Air Permit No. 0760-01261-01 was issued on or about October 17, 2012, adding those engines to the permit. In electronic correspondence dated December 4, 2012, the Respondent provided the startup dates of the engines. The periods that each engine was in service prior to incorporation in the permit are shown in Table G:

TABLE G

ID	Emission Source	Startup Date	Permit Issue Date	Days operated unpermitted
EQT 0010	11-12-ICE-ES	1/18/2012	10/17/2012	273
EQT 0011	12-12-ICE-ES	7/18/2012	10/17/2012	91

Each operation of any emission source, without a valid air permit, which will, or ultimately may, result in emission of air contaminants is a violation of LAC 33:III.501.C.2, La. R.S. 30:2057(A)(1) and 30:2057(A)(2).

III

Respondent denies it committed any violations or that it is liable for any fines, forfeitures and/or penalties.

IV

Nonetheless, Respondent, without making any admission of liability under state or federal statute or regulation, agrees to pay, and the Department agrees to accept, a payment in the amount of TWENTY ONE THOUSAND ONE HUNDRED NINETY-TWO AND NO/100 (\$21,192.00), of which Six Hundred Thirty-One and 40/100 Dollars (\$631.40) represents the Department's enforcement costs, in settlement of the claims set forth in this agreement. The total amount of money expended by Respondent on cash payments to the Department as described above, shall be

considered a civil penalty for tax purposes, as required by La. R.S. 30:2050.7(E)(1).

V

Respondent further agrees that the Department may consider the inspection report(s), file reviews, the Notice of Potential Penalty and this Settlement for the purpose of determining compliance history in connection with any future enforcement or permitting action by the Department against Respondent, and in any such action Respondent shall be estopped from objecting to the above-referenced documents being considered as proving the violations alleged herein for the sole purpose of determining Respondent's compliance history.

VI

This agreement shall be considered a final order of the Secretary for all purposes, including, but not limited to, enforcement under La. R.S. 30:2025(G)(2), and Respondent hereby waives any right to administrative or judicial review of the terms of this agreement, except such review as may be required for interpretation of this agreement in any action by the Department to enforce this agreement.

VII

This settlement is being made in the interest of settling the state's claims and avoiding for both parties the expense and effort involved in litigation or an adjudicatory hearing. In agreeing to the compromise and settlement, the Department considered the factors for issuing civil penalties set forth in La. R. S. 30:2025(E) of the Act.

VIII

The Respondent has caused a public notice advertisement to be placed in the official journal of the parish governing authority in Desoto, Caldwell, Claiborne, Lincoln and Ouachita Parishes, Louisiana. The advertisement, in form, wording, and size approved by the Department, announced

the availability of this settlement for public view and comment and the opportunity for a public hearing. Respondent has submitted an original proof-of-publication affidavit and an original public notice from the newspaper of each affected parish to the Department and, as of the date this Settlement is executed on behalf of the Department, more than forty-five (45) days have elapsed since publication of the notice.

IX

Payment is to be made within ten (10) days from notice of the Secretary's signature. If payment is not received within that time, this Agreement is voidable at the option of the Department. Payments are to be made by check, payable to the Department of Environmental Quality, and mailed or delivered to the attention of Accountant Administrator, Financial Services Division, Department of Environmental Quality, Post Office Box 4303, Baton Rouge, Louisiana, 70821-4303. Each payment shall be accompanied by a completed Settlement Payment Form (Exhibit A).

X

In consideration of the above, any claims for penalties are hereby compromised and settled in accordance with the terms of this Settlement.

XI

Each undersigned representative of the parties certifies that he or she is fully authorized to execute this Settlement Agreement on behalf of his or her respective party, and to legally bind such party to its terms and conditions.

COMSTOCK OIL & GAS-LOUISIANA, LLC

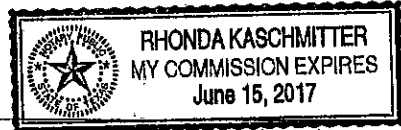
BY: *Daniel S. Harrison*
(Signature)

Daniel S. Harrison
(Printed)

TITLE: Engineering Mgr.

THUS DONE AND SIGNED in duplicate original before me this 27th day of May, 2014, at Frisco, Texas.

Rhonda Kaschmitter
NOTARY PUBLIC (ID # _____)



(stamped or printed)

LOUISIANA DEPARTMENT OF ENVIRONMENTAL QUALITY

Peggy M. Hatch, Secretary

BY: *Cheryl Sonnier Nolan*
Cheryl Sonnier Nolan, Assistant Secretary
Office of Environmental Compliance

THUS DONE AND SIGNED in duplicate original before me this 26th day of Aug., 2014, at Baton Rouge, Louisiana.

[Signature]
NOTARY PUBLIC (ID # 19181)

Perry Theriot
(stamped or printed)

Approved: *Cheryl Sonnier Nolan*
Cheryl Sonnier Nolan, Assistant Secretary